

AMENDED IN SENATE JUNE 25, 2012

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

ASSEMBLY BILL

No. 1493

Introduced by Committee on Budget (Blumenfield (Chair), Alejo, Bonilla, Brownley, Buchanan, Butler, Cedillo, Chesbro, Dickinson, Feuer, Gordon, Huffman, Mitchell, Monning, and Swanson)

January 10, 2012

An act relating to the Budget Act of 2012 to add Section 16340 to the Government Code, relating to state and local government, and making an appropriation therefor, to take effect immediately, bill related to the budget.

LEGISLATIVE COUNSEL'S DIGEST

AB 1493, as amended, Committee on Budget. ~~Budget Act of 2012.~~ *State and local government.*

Existing law establishes the Local Agency Investment Fund, authorizes a local government having money in its treasury not required for immediate needs to remit it to the Treasurer for deposit in that fund for the purpose of investment, and prescribes the handling of that money.

This bill would establish the Voluntary Investment Program Fund within the State Treasury for the receipt of voluntary deposits from local entities, as specified. The bill would provide that the deposits in the fund may be used only to cover short-term cash needs of the state, as specified.

This bill would appropriate \$1,000 from the General Fund to the Department of Finance for the administration of its provisions.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

~~This bill would express the intent of the Legislature to enact statutory changes relating to the Budget Act of 2012.~~

Vote: majority. Appropriation: ~~no~~ yes. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 16340 is added to the Government Code,
2 to read:
3 16340. (a) (1) The Voluntary Investment Program Fund
4 (Fund) is hereby created within the State Treasury, for the receipt
5 of voluntary deposits from local entities.
6 (2) For purposes of this section, a “local entity” includes, but
7 is not limited to, any city, county, school district, or special district.
8 (b) Each local entity that is approved by its governance body
9 to deposit moneys in the fund shall deposit no less than a total of
10 two hundred million dollars (\$200,000,000). The total amount of
11 moneys that may be deposited in the fund from all eligible sources
12 shall not exceed, at any point in time, a total of ten billion dollars
13 (\$10,000, 000,000), or lesser amount as determined by the Director
14 of Finance, in consultation with the Treasurer.
15 (c) The terms and conditions of deposits made into the fund
16 shall be set by the Director of Finance, in consultation with the
17 Treasurer. Those terms shall include, but not be limited to, the
18 size of the deposit from a particular local entity, the length of time
19 those moneys shall be held in deposit in the fund, the availability
20 of funds for withdrawal by the local entity depositing the funds,
21 and the annual rate of interest paid on deposits, as described in
22 subdivision (e). However, the director and the Treasurer may only
23 permit deposits that do not exceed funds needed to address an
24 actual or anticipated cash shortfall in the General Fund not
25 exceeding the amounts of existing appropriations, including
26 continuing and continuous appropriations, to which resulting
27 proceeds are to be applied.
28 (d) Moneys held in the Fund shall be invested by the Treasurer
29 in investments authorized pursuant to Sections 16430 and 16480
30 through the Pooled Money Investment Account, and whenever the
31 Controller determines that moneys in the General Fund, after
32 allowing for internal borrowing from other funds are, or are
33 expected to be, insufficient for the payment of all appropriations

made by the Legislature which are to be paid out of the moneys in the General Fund, the Controller may, based upon his or her estimate of the probable income to the General Fund during the then fiscal year and the probable dates of receipt thereof, may draw a demand or demands against appropriations made from the General Fund to be paid in the then current fiscal year prior to the receipt of the income, and deliver the demand or demands to the Treasurer. The Treasurer shall register the demand or demands for nonpayment and may borrow moneys from the fund in an amount or amounts that is no greater than the demand or demands provided. The borrowing, together with the interest owed upon the account thereon, shall be paid exclusively from moneys in the General Fund on probable or reasonably anticipated revenues that are expected to be forthcoming within a short period of time, but not excepting recourse to internal borrowing from other funds in the event insufficient moneys are available from the General Fund. Repayment of any of those borrowings shall be considered a priority payment, equivalent to any other loan repayment made from the General Fund to another state fund.

(e) Notwithstanding any other law, the rate of interest to be earned by the depositors shall be the base apportionment rate based on their pro rata share of the earnings of the Pooled Money Investment Account on a quarterly basis at the end of each quarter plus an enhanced amount. The pro rata share shall be determined by a dollar-day participation. The base apportionment rate applied to dollar-day participation in the Fund shall be the quarter-to-date average yield of the Pooled Money Investment Account for the current quarter. The enhancement amount paid to depositors in the fund shall be determined by the Director of Finance, in consultation with the Treasurer, and shall be added to the base rate earned by the Pooled Money Investment Account at the time the apportionment is made. The total interest cost described in this subdivision shall not exceed that provided for in paragraph (1) of subdivision (d) of Section 16731.

(f) Notwithstanding Section 13340, moneys in the fund are hereby continuously appropriated for payment of interest expenditures to depositors calculated in accordance with subdivision (e), other related expenses as determined by the Department of Finance, and return of deposits to depositors according to terms and conditions set by the Director of Finance,

1 *in consultation with the Treasurer. The amounts paid for interest*
2 *and other related expenses shall be attributable to the fiscal year*
3 *in which the borrowing occurred which is also the fiscal year upon*
4 *which the appropriations against which the demand or demands*
5 *were made.*

6 *(g) The Department of Finance shall determine the budget items*
7 *to be used for the recording and reporting of interest expenditures*
8 *and other related expenses pursuant to this section.*

9 *(h) Deposits in the fund shall be tracked separately for each*
10 *participant in the state's accounting system, and shall be deemed*
11 *to be assets of each participant. These assets shall be reflected as*
12 *such on each participant's individual financial statements.*

13 *(i) These deposits are, and may only be used, to cover short-term*
14 *cash needs of the state and are, and shall be, in compliance with*
15 *the provisions of Proposition 58 of March 2004 as stated in*
16 *subdivision (c) of Section 1.3 of Article XVI of the California*
17 *Constitution. Deposits and borrowing from the fund shall comply*
18 *with the state's debt limit restrictions.*

19 *(j) Actions by the Director of Finance, in consultation with the*
20 *Treasurer, in implementing and administering the investment*
21 *program provided for in this section and the Treasurer's and*
22 *Controller's actions in borrowing from the fund shall be exempt*
23 *from the provisions of the Administrative Procedure Act (Chapter*
24 *3.5 (commencing with Section 11340) of Part 1 of Division 3).*

25 *(k) Upon projection of insufficient cash in the General Fund,*
26 *the Director of Finance, in consultation with the Treasurer and*
27 *Controller, may utilize provisions similar to Section 16381 to*
28 *facilitate the implementation of the program.*

29 *SEC. 2. The sum of one thousand dollars (\$1,000) is hereby*
30 *appropriated from the General Fund to the Department of Finance*
31 *to implement this act.*

32 *SEC. 3. This act is a bill providing for appropriations related*
33 *to the Budget Bill within the meaning of subdivision (e) of Section*
34 *12 of Article IV of the California Constitution, has been identified*
35 *as related to the budget in the Budget Bill, and shall take effect*
36 *immediately.*

37 ~~SECTION 1. It is the intent of the Legislature to enact statutory~~
38 ~~changes relating to the Budget Act of 2012.~~

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